

CALIFORNIA STATE TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Credit Enhancement – Panel on School Financing

ITEM NUMBER: 4
ATTACHMENT(S): 1

ACTION: _____

DATE OF MEETING: June 2, 1999

INFORMATION: X

PRESENTER(S): Mr. Mitchell

EXECUTIVE SUMMARY

One of the objectives for the 1998/99 fiscal year is to provide the Investment Committee with a series of educational presentations to assist in the managing and monitoring of the investment portfolio. This month's topic is "School Bond Credit Enhancement."

The California State Teachers' Retirement System (CalSTRS) began its Credit Enhancement Program in 1994 when it participated in a liquidity facility to support the commercial paper program for the Port of Long Beach. The Credit Enhancement Program has grown to over \$600 million in commitments. In March 1999, the Investment Committee approved a credit enhancement policy that permits, within identified parameters, credit enhancement activity for California public schools. The panel will discuss public school bond finance, credit evaluation, and credit enhancement.

Attachment 1 provides a biographical summary of four investment professionals representing a panel that is designed to allow a maximum amount of interaction. Each panelist will cover a different area of school bond credit enhancement. The following identifies the panelists and the subjects to be discussed:

- Barbara Lloyd, Deputy Treasurer, State Treasurer's Office – The proposed School Bond Credit Enhancement Program through the CSFA.
- Nathan Brostrom, Vice President, J.P. Morgan – How school bonds are issued and sold on Wall Street.
- John Greenlee, Executive Director, Canadian Imperial Bank of Commerce – Credit enhancement underwriting of school bonds.
- Mary Neale, Partner, Orrick Herrington – Legal risks associated with credit enhancing school bonds.

Each panelist will make a five-minute presentation. After the completion of the three presentations, a question and answer session will follow.

PANEL SPEAKERS

Barbara A. Lloyd
Deputy Treasurer
State Treasurer's Office

Prior to joining the State Treasurer's Office, Ms. Lloyd served as Treasury Manager for the City of Oakland, and previously, as a municipal finance advisor. Ms. Lloyd earned her Master's degree in business administration from the Stanford Graduate School of Business. Ms. Lloyd now serves as Deputy Treasurer responsible for public finance.

Nathan Brostrom
Vice President
J.P. Morgan

Nathan Brostrom joined J.P. Morgan's San Francisco Public Finance Department in 1996. Prior to joining the firm, Mr. Brostrom spent four years working in the California State Treasurer's Office, where he served as Executive Director of the California Pollution Control Financing Authority and the California Industrial Development Financing Authority. Mr. Brostrom was also responsible for developing and implementing new financing programs, particularly those targeted at economic development within the State. Since he rejoined Morgan, Nathan has worked on financings totaling close to \$4.5 billion for a wide range of clients, including the State of California, the State of Hawaii, the California State University, the Department of Water Resources, the California Department of Veterans Affairs, Riverside County, the University of California Regents, and several local water issuers. His previous experience includes corporate finance positions at J.P. Morgan in New York and at Quarterdeck Investment Partners in Los Angeles and public finance experience with Merrill Lynch Capital Markets in Los Angeles. Mr. Brostrom graduated Phi Beta Kappa from Stanford University and received a Master's degree in public and international affairs from the Woodrow Wilson School at Princeton University.

John B. Greenlee
Executive Director
CIBC World Markets - Los Angeles

John is located at the Los Angeles branch of CIBC and is responsible for Public Finance throughout the western states. John's responsibilities include credit enhancement, municipal leasing and bond underwriting. Since opening the office in Los Angeles in 1992, John has underwritten over \$3 billion in Letters of Credit for the support of municipal and public finance debt issues. His areas of expertise are in airport, marine port, stadium and education financing.

Prior to joining CIBC's Public Finance Group in September 1991, Mr. Greenlee worked in corporate lending at CIBC's Houston branch since 1989. From 1982 to 1989, John was Vice

President at The Mitsubishi Bank, Ltd where he started his career in public finance. After receiving a MA from the University of California, Riverside in 1979, Mr. Greenlee spent three years at Dun and Bradstreet as a Credit Analyst. He received his BA in Economics from the University of California, Irvine.

Mary H. Neale

Partner

Orrick Herrington

Mary H. Neale is a partner in Orrick's Public Finance Department, the nation's leading public finance practice. Her expertise includes representing international and domestic banks serving as a credit or liquidity provider. She also has extensive experience representing underwriters and issuers in public finance transactions, including lease revenue, sales tax revenue, assessment and special tax, industrial development and tax increment bonds, certificates of participation, tax and revenue anticipation notes, and bonds for single- and multi-family housing programs, airports, water and wastewater systems, and cogeneration facilities.

Ms. Neale is a member of the State Bar of California, the State Bar of New York, the American Bar Association, the National Association of Bond Lawyers, and California Women Lawyers.

Before joining Orrick, Ms. Neale was an associate at Mudge Rose Guthrie Alexander & Ferdon from 1993 to 1995. Before that she was an associate at Skadden, Arps, Slate, Meagher & Flom from 1989 to 1993, and prior to that she was an associate at The First Boston Corporation from 1987 to 1988.

She received a J.D. and an M.B.A. in 1988 from Columbia University, and a B.A., with honors in 1983 from the University of California, Berkeley.